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Dragon King Group Holdings Limited

龍皇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8493)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) of Dragon King Group Holdings Limited (the “**Company**”, together with its subsidiaries the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

This announcement will remain on the website of the Stock Exchange at <http://www.hkexnews.hk> on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and will be published on the Company’s website at www.dragonkinggroup.com.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2020

The unaudited condensed consolidated results of the Group for the three months ended 31 March 2020, together with the unaudited comparative figures for the corresponding period in 2019, are as follows:

		Unaudited	
		Three months ended 31 March	
		2020	2019
	Notes	HK\$'000	HK\$'000
Revenue	3	57,652	117,027
Costs of inventories consumed		<u>(17,388)</u>	<u>(36,998)</u>
Gross profit		40,264	80,029
Other income and gains, net	4	1,595	409
Staff costs		(24,149)	(39,912)
Depreciation of items of property, plant and equipment		(3,232)	(4,505)
Depreciation of right-of-use assets		(6,273)	(9,218)
Loss on disposal of a subsidiary		(500)	–
Rental and related expenses		(5,372)	(9,079)
Other operating expenses		(10,143)	(14,470)
Finance costs		<u>(1,322)</u>	<u>(2,071)</u>
(Loss)/profit before tax	5	(9,132)	1,183
Income tax expense	6	<u>–</u>	<u>(660)</u>
(Loss)/profit for the period attributable to the owners of the Company		<u>(9,132)</u>	<u>523</u>
(Loss)/profit per share		HK cents	HK cents
– Basic and diluted	8	<u>(0.63)</u>	<u>0.04</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2020

	Unaudited	
	Three months ended 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the period	(9,132)	523
Other comprehensive income/(expense):		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences arising on translation of foreign operations	<u>98</u>	<u>(93)</u>
Total comprehensive (expense)/income for the period	<u>(9,034)</u>	<u>430</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	Issued capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2019	14,400	88,057	(43,224)	42,703	(316)	(48,397)	53,223
Profit for the period	-	-	-	-	-	523	523
Other comprehensive expense for the period, net of income tax							
<i>Item that may be reclassified subsequently to profit or loss:</i>							
Exchange differences arising on translation of foreign operations	-	-	-	-	(93)	-	(93)
Total comprehensive income for the period	-	-	-	-	(93)	523	430
At 31 March 2019 (Unaudited)	<u>14,400</u>	<u>88,057</u>	<u>(43,224)</u>	<u>42,703</u>	<u>(409)</u>	<u>(47,874)</u>	<u>53,653</u>
At 1 January 2020	14,400	88,057	(43,224)	42,703	131	(83,870)	18,197
Loss for the period	-	-	-	-	-	(9,132)	(9,132)
Other comprehensive income for the period, net of income tax							
<i>Item that may be reclassified subsequently to profit or loss:</i>							
Exchange differences arising on translation of foreign operations	-	-	-	-	98	-	98
Total comprehensive expense for the period	-	-	-	-	98	(9,132)	(9,034)
At 31 March 2020 (Unaudited)	<u>14,400</u>	<u>88,057</u>	<u>(43,224)</u>	<u>42,703</u>	<u>229</u>	<u>(93,002)</u>	<u>9,163</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 8 August 2016. The registered office address of the Company is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. The principal place of business of the Company is located at Office A, 20/F, TG Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong. The Company's shares are listed on GEM of the Stock Exchange since 16 January 2018.

The Company is an investment holding company. The Group is principally engaged in the operation and management of restaurants in Hong Kong, Macau and People's Republic of China (the "PRC").

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The Group's unaudited condensed consolidated financial statements for the three months ended 31 March 2020 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the three months ended 31 March 2020 are consistent with those adopted in the Group's audited annual report dated 23 March 2020 (the "2019 Annual Report"), except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the "New and Revised HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA that are adopted for the first time for the current periods financial statements.

The adoption of the New and Revised HKFRSs has had no significant effect on these unaudited condensed consolidated financial statements for the three months ended 31 March 2020 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the three months ended 31 March 2020.

The Group has not applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations to the Group but is yet to be in a position to state whether they would have any material financial impact on the Group's results of operations and financial position.

The unaudited condensed consolidated financial statements for the three months ended 31 March 2020 have been prepared under the historical cost convention. The unaudited condensed consolidated financial statements for the three months ended 31 March 2020 are presented in thousand of Hong Kong dollars ("HK\$'000"), which is also the functional currency of the Group.

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

The unaudited condensed consolidated financial statements have not been audited by the Company's auditor, but have been reviewed by the audit committee of the Company (the "Audit Committee").

3. REVENUE

	Unaudited	
	Three months ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Revenue from contracts with customers		
Restaurant operations	<u>57,652</u>	<u>117,027</u>

(i) Disaggregated revenue information

	Unaudited	
	Three months ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Type of goods or services		
Revenue from Chinese restaurant operations	<u>57,652</u>	<u>117,027</u>
Geographical markets		
Hong Kong and Macau	53,303	106,824
The PRC	<u>4,349</u>	<u>10,203</u>
Total	<u>57,652</u>	<u>117,027</u>
Timing of revenue recognition		
At a point in time	<u>57,652</u>	<u>117,027</u>

(ii) Performance obligations for contracts with customers

Operation and management of restaurants

The performance obligation is satisfied when the catering services have been provided to customers. The Group's trading terms with its customers are mainly on cash and credit card settlement. The credit period is generally few days to 60 days.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All revenue contracts are for a period of one year or less. As permitted by HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4. OTHER INCOME AND GAINS, NET

	Unaudited	
	Three months ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Other income and gains, net		
Bank interest income	1	2
Fair value gains on financial assets at fair value through profit or loss	40	106
Subsidies received from a utility company for purchases of property, plant and equipment*	105	139
Subsidies received from government	1,400	–
Others	49	162
	<u>1,595</u>	<u>409</u>

* As at 31 March 2020 and 2019, there were no unfulfilled conditions or other contingencies attaching to the subsidies that had been recognised by the Group.

5. (LOSS)/PROFIT FOR THE PERIOD

(Loss)/profit for the period has been arrived at after charging:

	Unaudited	
	Three months ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Contingent rents under operating leases*	490	435
Auditor's remuneration	250	300
Employee benefit expense (excluding directors' and chief executive's remuneration)		
Wages and salaries	21,589	35,534
Pension scheme contributions	1,102	1,851
	<u>22,691</u>	<u>37,385</u>

* Contingent rents are included in "Rental and related expenses" in the unaudited condensed consolidated statement of profit or loss.

6. INCOME TAX EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

For the three months ended 31 March 2020 and 2019, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5% on the estimated assessable profits.

PRC tax and Macau tax have been provided at the rate of 25% and 12% on the estimated profits arising in the PRC and Macau during the three months ended 31 March 2020 (2019: 25% and 12%), respectively.

	Unaudited	
	Three months ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Current – Hong Kong	–	642
Current – elsewhere	–	18
	<hr/>	<hr/>
Total tax charge for the period	<u>–</u>	<u>660</u>

7. DIVIDEND

The board of Directors (the “**Board**”) does not recommend any payment of dividend in respect of the three months ended 31 March 2020 (2019: Nil).

8. (LOSS)/PROFIT PER SHARE

The calculations of basic and diluted (loss)/profit per share attributable to the owners of the Company is based on the following data:

	Unaudited	
	Three months ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
(Loss)/profit attributable to owners of the Company for the purpose of basic and diluted (loss)/profit per share	<u>(9,132)</u>	<u>523</u>
	Number of shares	
	2020	2019
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/profit per share	<u>1,440,000</u>	<u>1,440,000</u>

No diluted earnings per share for the three months ended 31 March 2020 and 2019 were presented as there were no potential ordinary shares in issue for the three months ended 31 March 2020 and 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

The Group is a Cantonese full-service restaurants group operating Cantonese cuisine restaurant under four self-owned brands.

Restaurant Operations

For the three months ended 31 March 2020, the Group operated ten full-service restaurants in Hong Kong, Macau and Shanghai, the PRC to provide Cantonese cuisine under the brand name of “Dragon King (龍皇)”, “Dragon Seal (龍璽)”, “Dragon Gown (龍袍)”, “Imperial Seal (皇璽)” and “Dragon Feast (龍宴)”. All of the Group’s restaurants are strategically located in prominent commercial areas, residential areas or shopping complexes. The Group is committed to provide high quality food and services as well as comfortable dining environment to the customers.

Vast majority of the Group’s restaurants are located in Hong Kong. As at 31 March 2020, the Group had seven restaurants in Hong Kong, two of which are located on Hong Kong Island (respectively known as the “Causeway Bay Restaurant” and the “Wan Chai Restaurant”), four of which are located in Kowloon (respectively known as the “ICC Restaurant”, the “Kwun Tong Restaurant”, the “San Po Kong Restaurant” and the “Whampoa Restaurant”), and one of which is located in New Territories (known as the “Kwai Chung Restaurant”). The Group’s restaurant in Macau is located in the Venetian Macao (known as the “Macau Restaurant”) and the restaurant in Shanghai is located in Pudong New District (known as the “Shanghai Restaurant”).

As disclosed in the Company’s announcement dated 17 January 2020, the restaurant under the brand name of “Dragon Feast (龍宴)” located in Sheung Shui (the “Sheung Shui Restaurant”) was disposed of to an independent third party in January 2020 due to the worsening financial performance in recent years.

FINANCIAL REVIEW

Revenue

For the three months ended 31 March 2020, the Group recorded a total revenue of approximately HK\$57.7 million, representing a significant decrease of approximately HK\$59.3 million or approximately 50.7% as compared to approximately HK\$117.0 million for the three months ended 31 March 2019.

The table below sets forth a breakdown of the Group's revenue generated by each of the Group's self-owned brands:

	For the three months ended 31 March			
	2020		2019	
	Revenue	% of total	Revenue	% of total
	HK\$'000	revenue	HK\$'000	revenue
		(%)		(%)
Dragon King (龍皇)	39,137	67.9%	69,956	59.8%
Dragon Seal (龍璽)	6,061	10.5%	17,315	14.8%
Dragon Gown (龍袍)	5,175	9.0%	8,019	6.9%
Imperial Seal (皇璽)	4,349	7.5%	10,203	8.7%
Dragon Feast (龍宴) *	2,930	5.1%	11,534	9.8%
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	57,652	100.0%	117,027	100.0%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

* Disposed of on 17 January 2020

Dragon King (龍皇)

The revenue generated from Dragon King significantly decreased by approximately HK\$30.9 million, or approximately 44.1%, from approximately HK\$70.0 million for the three months ended 31 March 2019 to approximately HK\$39.1 million for the three months ended 31 March 2020.

The overall decrease in revenue was mainly due to the significant outbreak of novel coronavirus (COVID-19 epidemic) (the “**Epidemic**”) in Hong Kong starting from February 2020 onwards and the Epidemic is continuing during the first quarter of 2020 and resulting anti-epidemic measures implemented which had an adverse impact on the revenue generated during the period ended 31 March 2020.

Dragon Seal (龍璽)

The revenue generated from Dragon Seal significantly decreased by approximately HK\$11.2 million, or approximately 64.7%, from approximately HK\$17.3 million for the three months ended 31 March 2019 to approximately HK\$6.1 million for the three months ended 31 March 2020. Such decrease was mainly due to the Epidemic discussed above and the restaurant operation was temporarily suspended for 10 days during February 2020 in order to control the spread of the Epidemic.

Dragon Gown (龍袍)

The revenue generated from Dragon Gown significantly decreased by approximately HK\$2.8 million, or approximately 35.0%, from approximately HK\$8.0 million for the three months ended 31 March 2019 to approximately HK\$5.2 million for the three months ended 31 March 2020. Such decrease was mainly due to the Epidemic discussed above.

Imperial Seal (皇璽)

The revenue generated from Imperial Seal significantly decreased by approximately HK\$5.9 million, or approximately 57.8%, from approximately HK\$10.2 million for the three months ended 31 March 2019 to approximately HK\$4.3 million for the three months ended 31 March 2020. Such decrease was mainly due to the Epidemic spread in the PRC and the operation of restaurant was suspended from late January 2020 to early March 2020.

Dragon Feast (龍宴)

The revenue generated from Dragon Feast significantly decreased by approximately HK\$8.6 million, or approximately 74.8%, from approximately HK\$11.5 million for the three months ended 31 March 2019 to approximately HK\$2.9 million for the three months ended 31 March 2020. Such decrease was mainly due to the Company disposed the Sheung Shui Restaurant to an independent third party in mid-January 2020.

Gross profit and gross profit margin

The Group's gross profit (i.e. revenue minus cost of inventories consumed) amounted to approximately HK\$40.3 million for the three months ended 31 March 2020, representing a significant decrease of approximately HK\$39.7 million or approximately 49.6% from approximately HK\$80.0 million for the three months ended 31 March 2019 driven by the decrease in revenue.

The Group's overall gross profit margin slightly increased by 1.4% for the period ended 31 March 2020 when compared to the period ended 31 March 2019.

Other income and gains, net

Other income and gains, net increased by approximately HK\$1.2 million or approximately 300.0% from approximately HK\$0.4 million for the three months ended 31 March 2019 to approximately HK\$1.6 million for the three months ended 31 March 2020. Such increase was mainly due to the one-off subsidies amounted to HK\$1.4 million received from the The Food and Environmental Hygiene Department under the Anti-epidemic Fund.

Staff costs

Staff costs was approximately HK\$24.1 million for the three months ended 31 March 2020, representing an decrease of approximately HK\$15.8 million or approximately 39.6% as compared to HK\$39.9 million for the three months ended 31 March 2019. Such decrease was mainly due to all Directors, senior management members and employees of the Group agreed and have unpaid leaves starting from February 2020 as one of the cost controls measures in response to the Epidemic.

Depreciation of right-of-use assets

Depreciation of right-of-use assets was charged on a straight-line basis over the lease term. The lease terms of the leased premises are generally between three to ten years, with some lease agreements provide an option for the Group to renew.

Rental and related expenses

The Group's rental and related expenses decreased by approximately HK\$3.7 million or approximately 40.7% from approximately HK\$9.1 million for the three months ended 31 March 2019 to approximately HK\$5.4 million for the three months ended 31 March 2020. Such decrease was mainly due to certain short-term lease payment, management fees and promotion levy were waived by landlord due to the Epidemic.

Other operating expenses

The Group's other operating expenses decreased by approximately HK\$4.4 million or approximately 30.3% from approximately HK\$14.5 million for the three months ended 31 March 2019 to approximately HK\$10.1 million for the three months ended 31 March 2020. Such decrease was mainly due to the improvement of operational efficiency as a result of the Group's further control over its operational costs.

(Loss)/profit attributable to owners of the Company

For the three months ended 31 March 2020, the Group recorded a loss attributable to owners of the Company of approximately HK\$9.1 million, as compared to a profit attributable to owners of the Company of approximately HK\$0.5 million for the three months ended 31 March 2019. It was mainly due to the Epidemic which led to a significant decrease in revenue during the period ended 31 March 2020.

DIVIDEND

The Board does not recommend any payment of dividend for the three months ended 31 March 2020 (2019: Nil).

PROSPECTS

The shares of the Company were listed on GEM of the Stock Exchange (the "**Listing**") on 16 January 2018 (the "**Listing Date**") by way of share offer. The Directors believe that Listing could enhance the Group's profile and recognition which will enhance the customers' confidence to the Group. In addition, the net proceeds from the share offer will provide additional resources to the Group to expand its business and improve its capital base.

In view of the recent economic downturn accompanied by the unstable social atmosphere and the outbreak of the Epidemic in Hong Kong, the Group will adopt a conservative and cautious approach to operate its business. The food and beverage industry is facing a very challenging business environment including a slowdown in economic growth in Hong Kong, weakened consumption sentiments starting from the second half of 2019, reduction in number of visitors that affected the total consumptions in the Group's restaurants, the uncertainties of the Sino-US trade war and shortening of opening hours of shopping malls where the Group's restaurants are located. The total effects of the above pose a challenge to the Group's business.

On the other hand, the staff costs and food costs remained relatively high despite the current economic downturn, therefore the Group is facing pressure on striking the balance between cost control and the qualities of the food and services. Another major cost component for the Group is the rental expenses. The Group has been negotiating with the landlords for rent concessions as some of the Group's restaurants could not be opened due to the ongoing protests and the reduced number of visitors as overshadowed by the outbreak of the Epidemic.

To address the current weakness in customer sentiment and unpredictable market conditions, the Group will strengthen its promotional efforts to maintain the Group's competitiveness, including the launching of new promotional menus regularly and seasonal food.

Looking ahead, the Group will constantly adjust the business strategies in response to the ever-changing economy and the food and beverage industry. The Group will continue to evaluate the overall market conditions and strike a balance between expanding the Group's restaurants and closing down underperforming restaurants in the future.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Future Ordinance (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which are required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were follow:

Long positions in ordinary shares and underlying shares of the Company

Name of Director/ chief executive	Capacity/Nature of interest	Number of shares held/ interested	Approximate percentage of shareholding
Ms. Lee Ching Nung Angel ("Ms. Lee") ^{Note 1}	Interest of spouse	578,880,000	40.20%
Mr. Wong Wing Chee ("Mr. Wong WC") ^{Note 2}	Interested in a controlled corporation	578,880,000	40.20%
Mr. Wong Wing Hong ("Mr. Wong WH") ^{Note 3}	Interested in a controlled corporation	10,800,000	0.75%

Notes:

1. Ms. Lee is the spouse of Mr. Wong WC. Under the SFO, Ms. Lee is deemed to be interested in the same number of shares of the Company in which Mr. Wong WC is interested.
2. Mr. Wong WC beneficially owns the entire issued share capital of Million Edge Developments Limited ("Million Edge"). Therefore, Mr. Wong WC is deemed, or taken to be, interested in all the shares held by Million Edge for the purpose of the SFO. Mr. Wong WC is the sole director of Million Edge.
3. Mr. Wong WH beneficially owns the entire issued share capital of Wealthy Time Limited ("Wealthy Time"). Therefore, Mr. Wong WH is deemed, or taken to be, interested in all the shares of the Company held by Wealthy Time for the purpose of the SFO. Mr. Wong WH is the sole director of Wealthy Time.

Save as disclosed above, as at 31 March 2020, none of the Directors and chief executives had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as known to the Directors or chief executive of the Company, as at 31 March 2020, the following person/entities (other than the Directors and chief executive of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company remained to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in ordinary shares and underlying shares of the Company

Name of shareholder	Capacity/Nature of interest	Number of shares held/interested	Approximate percentage of shareholding
Million Edge	Beneficial owner	578,880,000	40.20%
Good Vision Limited	Beneficial owner	237,600,000	16.50%
Hong Kong Tang Palace Food & Beverage Group Company Limited ^{note 1}	Interested in a controlled corporation	237,600,000	16.50%
Tang Palace (China) Holdings Limited ^{note 2}	Interested in a controlled corporation	237,600,000	16.50%
Mr. Chan Man Wai ^{note 3}	Interested in a controlled corporation	237,600,000	16.50%
Ms. Au Yim Bing ^{note 4}	Interest of spouse	237,600,000	16.50%
Wise Alliance Limited	Beneficial owner	108,000,000	7.50%
Mr. Lee Wing Sun ^{note 5}	Interest in a controlled corporation	108,000,000	7.50%
Ms. Wat Hoi San ^{note 6}	Interest of spouse	108,000,000	7.50%

Notes:

1. Hong Kong Tang Palace Food & Beverage Group Company Limited (“**Tang Palace BVI**”) beneficially owns the entire issued share capital of Good Vision Limited (“**Good Vision**”). Therefore, Tang Palace BVI is deemed or taken to be interested in all the shares of the Company held by Good Vision for the purpose of the SFO. Mr. Chan Man Wai (“**Mr. Chan**”) is the sole director of Good Vision.
2. Tang Palace (China) Holdings Limited (“**Tang Palace (China)**”), a company listed on the Main Board of the Stock Exchange, beneficially owns the entire issued share capital of Tang Palace BVI. Therefore, Tang Palace (China) is deemed, or taken to be, interested in all the shares of the Company in which Tang Palace BVI is interested for the purpose of the SFO.
3. Mr. Chan either directly or through Best Active Investments Limited (“**Best Active**”, a company wholly-owned by him) holds a total of 33.70% of the total issued share capital of Tang Palace (China). As such, Mr. Chan controls more than one-third of the voting rights of Tang Palace (China) and is deemed to be interested in its interests in the Company by virtue of the SFO. Mr. Chan is the sole director of Best Active.
4. Ms. Au Yim Bing (“**Ms. Au**”) is the spouse of Mr. Chan. Under the SFO, Ms. Au is deemed to be interested in the same number of shares in which Mr. Chan is interested.
5. Mr. Lee Wing Sun (“**Mr. Lee**”) beneficially owns the entire issued share capital of Wise Alliance Limited (“**Wise Alliance**”). Therefore, Mr. Lee is deemed or taken to be interested in all the shares of the Company held by Wise Alliance for the purpose of the SFO. Mr. Lee is the sole director of Wise Alliance.
6. Ms. Wat Hoi San (“**Ms. Wat**”) is the spouse of Mr. Lee. Under the SFO, Ms. Wat is deemed to be interested in the same number of shares of the Company in which Mr. Lee is interested.

Save as disclosed above, as at 31 March 2020, there was no person or corporation, other than the Directors and chief executive of the Company whose interests are set out in the section “Directors’ and chief executives’ interest and short positions in shares, underlying shares and debenture of the Company” above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company remained to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the three months ended 31 March 2020.

COMPETITION AND CONFLICT OF INTERESTS

Tang Palace Group (consist of Tang Palace (China) and its subsidiaries) was a restaurant chain group including restaurants in China and Hong Kong. Tang Palace (China) was interested in 16.5% interest in the Group through Good Vision. Tang Palace Group does not and will not involve in the daily operation and management of the Group. Moreover, Mr. Kwong Ping Man, the independent non-executive Director, was also an independent non-executive director of Tang Palace (China). Despite that Mr. Kwong is a director of Tang Palace (China), he confirms that he does not involved in day-to-day operations of both Tang Palace Group's and the Group's restaurant business. Save as disclosed above, none of the Directors, the controlling shareholders or substantial shareholders of the Company or any of its respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with Group during the three months ended 31 March 2020.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the required standard of dealings set out in rules 5.48 to 5.68 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company. Based on specific enquiry with the Directors, all Directors confirmed that they had fully complied with the required standard of dealings and there was no event of non-compliance during the three months ended 31 March 2020 and up to the date of this announcement.

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme (the “**Share Option Scheme**”) by the resolutions in writing of all the shareholders passed on 15 December 2017. The Share Option Scheme enables the Company to grant share options to any director, employee or other stakeholders to the Company or any of its subsidiaries, as incentives or rewards for their contributions to the Group for the purpose of attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.

The maximum number of shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the adoption date (excluding, for this purpose, shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the shares in issue. Therefore, it is expected that the Company may grant options in respect of up to 144,000,000 shares (or such numbers of shares as shall result from a sub-division or a consolidation of such 144,000,000 shares from time to time) to the participants under the Share Option Scheme.

The 10% limit as mentioned above may be refreshed at any time by approval of the shareholders in general meeting provided that the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit.

The total number of shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue. Any further grant of options in excess of such limit must be separately approved by shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. In such event, the Company must send a circular to the shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted (i.e. 15 December 2017).

During the three months ended 31 March 2020, the Group did not grant any share option under the Share Option Scheme of the Company.

INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by the Group's compliance adviser, Frontpage Capital Limited (the "**Compliance Adviser**"), save as the compliance adviser agreement entered into between the Company and the Compliance Adviser, none of the Compliance Adviser or its directors, employees or associates had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE PRACTICE

The Board considers good corporate governance a key element in managing the business and affairs of the Group. The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 of the GEM Listing Rules. The Board is of the opinion that the Company has complied with the CG Code during the three months ended 31 March 2020 and up to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee was established on 15 December 2017. The chairman of the Audit Committee is Mr. Kwong Ping Man, the independent non-executive Director, and other members include Mr. Lin Zhisheng and Mr. Chang Cheuk Cheung Terence, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange’s website and on the Company’s website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Group’s unaudited condensed consolidated financial statements for the three months ended 31 March 2020 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2020 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

By order of the Board
Dragon King Group Holdings Limited
Lee Ching Nung Angel
Chairman and Executive Director

Hong Kong, 8 May 2020

As at the date of this announcement, the Board comprises Ms. Lee Ching Nung Angel, Mr. Wong Wing Chee and Mr. Wong Wing Hong as executive Directors; Mr. Kwong Ping Man, Mr. Lin Zhisheng and Mr. Chang Cheuk Cheung Terence as independent non-executive Directors.